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Follow-up to the Ministerial Meeting on UNDP

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I. Introduction

1. UNDP is above all committed to enhancing its overall development impact and effectiveness. At its first regular session 2000, the Executive Board reviewed the Administrator's Business Plans, 2000-2003, in which he outlined his vision for UNDP and proposed an internal reform process for the organization. Progress made in the implementation of the Plans is outlined in document DP/2001/CRP.2.

2. Mobilizing an adequate level of regular resources (formerly known as "core" resources) to maximize the unique impact of a strong multilateral United Nations development presence remains a top priority. In order to restore growth and enhanced predictability to the regular resource base of UNDP, the Executive Board engaged in intensive dialogue throughout 1998 and 1999 on the development of a sustainable funding strategy for UNDP, resulting in landmark decisions on a new multi-year funding framework (MYFF).

3. During the course of 2000, the Administrator continued to highlight the critical regular resource situation of UNDP. He stressed that the funding crisis was not simply about UNDP but about the United Nations as a whole and its role in development. He emphasized in particular the impact of the funding situation on UNDP programmes across the world, in particular in Africa, where programme resource allocations had fallen by 60 per cent in real terms since 1992. The Administrator further emphasized the urgency of rebuilding broader political support both for the role of the United Nations in development and for the role of UNDP; there was a need to convey the message of UNDP to wider political constituencies and to find ways of translating additional political support into practical action. He suggested holding a ministerial-level meeting as one way of contributing to this goal. The Ministerial Meeting took place in New York on 11 September 2000.

4. The present document makes a number of proposals for follow-up emanating from the Ministerial Meeting. It focuses on the need for: (a) a strengthened regular (core) resource situation; (b) a stronger alignment of other (non-core) resources around the vision for the new UNDP; and (c) enhanced performance, particularly at the country level.

5. While the strong support expressed at the Ministerial Meeting was extremely encouraging, the situation regarding UNDP regular resources remains critical. The Administrator believes that Ministers must remain committed to joint action. Without the continued engagement of Ministers, prospects to establish regular funding on a stable and sustainable basis appear limited.

II. Outcome of the Ministerial Meeting on UNDP

6. The Ministerial Meeting on UNDP took place on 11 September, immediately after the Millennium Summit, with the participation of Ministers and representatives from 65 countries. The Chairman of the meeting highlighted that the high level of participation in the discussion of UNDP and its future was in itself an important measure of the political interest in the organization. In his oral summary of the meeting, the Chairman noted:

(a) The widespread endorsement of the Secretary-General's vision, outlined in his keynote address to the Ministerial Meeting, of the role of the United Nations in development and of the essential part that UNDP played in that context; this was particularly crucial in the light of the Millennium Summit Declaration and the emphasis therein to the continuing challenge of poverty eradication;

(b) Clear endorsement of the new direction of UNDP, as a poverty agency working both at the global and country levels, in its areas of comparative advantage, including capacity-building in governance and policy, special development situations and new areas such as information technology and the use of the Internet;

(c) Recognition of the value of the role of UNDP as an advocate at global and national levels, including through the *Human Development Report*;

(d) Linkage of the above to the universal presence of UNDP, a presence that also served the rest of the United Nations system; concerns that while a universal UNDP was indispensable to the mandate of the United Nations itself, the resource constraints presented a significant challenge to geographical coverage by the organization;

(e) The importance of the coordination role of UNDP, as well as partnerships beyond the United Nations family, as a necessary and integral part of UNDP work;

(f) The importance of preserving the country-driven nature of UNDP programmes and of maintaining its capacity to respond to country priorities, a key element in the trust that UNDP enjoyed;

(g) Recognition of the seriousness of the Administrator's commitment to results, to internal reform and to management performance and excellence at all levels;

(h) The expressions of both political and financial support for the reform process; and

(i) The widespread concern about the resource situation and about the vital importance of rebuilding the core resource base.

7. The Chairman noted the various options put forward by Ministers for continuing the process begun at the Meeting to rebuild political support for UNDP, including:

(a) Intensive advocacy for aid to development and to the United Nations, at the national level;

(b) Options for UNDP to be considered in other international or regional forums i.e., for the United Nations and UNDP to be on the agenda of forums such as the European Union, the Organization of African Unity (OAU) and the Association of South-East Asian Nations (ASEAN);

(c) The possibility, proposed by a number of Ministers, of annual events similar in nature to the meeting of 11 September, with the participation of Ministers;

(d) Ways for Ministers to continue their involvement in the dialogue on UNDP and its future;

(e) Means by which UNDP can communicate its improved performance from the field;

(f) Options for the role of the Executive Board.

8. At the third regular session 2000 of the Executive Board, held in September, the Administrator noted the importance of the Ministerial Meeting in providing a renewed climate of political support for UNDP, the critical foundation for its work that had been lacking in recent years. There had been widespread endorsement of the new direction of UNDP, and of its unique legitimacy and expertise in contributing to the development targets endorsed by the Millennium Summit, in particular the overarching goal of halving poverty by 2015. The Administrator highlighted the two key challenges now facing UNDP, namely the need to demonstrate enhanced performance in the field in line with the Business Plans and the need to rebuild the resource base of the organization. Further to the Ministerial Meeting, the Administrator had communicated to staff worldwide both the strong endorsement of the new UNDP and the continued need for UNDP to strengthen performance at all levels of the organization, in line with the Business Plans. It was incumbent upon UNDP internally to drive through and entrench a new culture of results and excellence. The challenge of resources needed to be tackled with UNDP partners if the organization was to break out once and for all from the funding trap, to rebuild regular income to underpin the new vision while aligning and expanding the role of other funding.

III. Follow-up: maintaining the momentum for rebuilding political will

9. Building on the specific suggestions made by Ministers during the meeting, concrete follow-up actions to build on the new momentum of political support have been proposed at three levels: at the country and regional levels and at the level of the Executive Board.

***First, and most important*: Accelerate national efforts to rebuild regular resources to agreed targets.**

10. The indications of firm intentions by six donors from the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC) to increase regular resource contributions in 2001, announced at the Ministerial Meeting, is extremely encouraging. It is hoped that other Ministers will be able to follow this lead and secure annual increases in funding for UNDP in 2001 and beyond. In the past, Governments have explained disappointing voluntary contributions by reference to the legal character of other commitments and the reality of overall budgetary ceilings. While the Ministerial Meeting has clearly launched a process of renewed political support for UNDP, core resources are not yet at the targeted levels. In short, UNDP needs a stronger multi-year, commitment-based approach to return the core resource base to a pattern of real growth and to put the organization on a clear path to meet agreed targets. The way donors interact and work together is essential for the achievement of this goal. The challenge remains for the MYFF to be truly translated into more binding commitments, within the voluntarily funded environment in which UNDP and its partner funds and programmes are operating. UNDP stands ready to support Governments' own efforts in whatever ways they consider appropriate.

Recommendation 1. Consultations should take place between Governments and UNDP on the support that UNDP can provide to efforts at the country level to rebuild greater political and financial support for UNDP.

***Second*: Highlight in key regional and international forums the importance of the overall role of the United Nations in development and of the specific role of UNDP in order to rebuild broader political and financial support.**

11. As agreed at the Ministerial Meeting, an important way to continue Ministers' engagement on the issue of rebuilding political support for United Nations development cooperation — and the work of UNDP specifically — is to secure a place for UNDP on the agenda of existing regional and global forums where Ministers meet, such as ASEAN, the European Union, the Group of 77, OAU or OECD/DAC. It is very encouraging that a number of Ministers have already initiated actions to secure a place for UNDP on relevant agendas, providing avenues that are potentially very fruitful for consolidating the new momentum and for consulting closely to map out the most appropriate next steps. It is important that such efforts continue.

Recommendation 2. Governments might wish to pursue the possibility of including on the agendas of regional and global meetings items on support to UNDP and the role of the United Nations in development.

***Third*: Act on the suggestion made by several Ministers to hold a follow-up Ministerial Meeting in 2001.**

12. A number of Ministers suggested holding another ministerial-level meeting in 2001. Others preferred that a number of options for further dialogue at the ministerial level be pursued. The success of the Ministerial Meeting clearly demonstrated the importance of maintaining regular, ministerial-level engagement on the new UNDP. While the timing, periodicity, structure and format of future ministerial-level events will be reviewed, more intensive ministerial involvement is clearly needed at this decisive time for the future of the organization. In particular, the UNDP regular resource situation remains critical. Against this background, the Administrator believes that there is real merit in holding a Ministerial Meeting in 2001.

Recommendation 3. The Administrator recommends that consideration be given to holding a Ministerial Meeting in September 2001.

13. In addition, at the Executive Board level, it is critically important to maintain and build on the spirit of the recent sessions of the Board, thereby facilitating continued substantive engagement concerning UNDP and its work and discussion on issues that serve to keep the dialogue at the political level established by the Ministerial Meeting. It is also important to take advantage of the opportunities that

other processes may offer during the course of 2001, such as those during the preparations for the Financing for Development Event.

Recommendation 4. The Secretariat should review with the Board the possibility of structuring a dialogue around priority issues in a way that promotes high-level participation in the Executive Board.

IV. Follow-up: performance and resources

Performance

14. In his presentation to the Executive Board at its third regular session 2000, the Administrator described the measures being taken within the context of the Business Plans to make UNDP more responsive to the needs of the field and to strengthen the quality of overall performance. In addition to the results-based MYFF/ROAR process, the essential foundation for that task, he cited a number of key actions taken in recent months to extend the results-based performance culture to the internal workings of UNDP, including:

(a) A 10 per cent reduction to date in implementation of the 26 per cent cut in headquarters staff, with the full process to be completed by the end of 2001;

(b) Initiation of the implementation of the recommendations of the Options Group convened in August 2000 on how to re-profile country offices;

(c) Launch of a dedicated web site for direct and regular interaction between the Administrator and resident representatives;

(d) Provision of extra support for and monitoring of country offices where performance problems have been identified;

(e) Initiation of recruitment of policy experts for the field to increase UNDP strengths in key areas of specialization; and

(f) Realignment of UNDP applied policy and substantive capacity and definition of policy service lines.

15. Additional steps being taken to accelerate the change process by strengthening individual performance include:

(a) Re-profiling of country offices, in line with the new vision and the Business Plans;

(b) Introduction of a new performance measurement system a year ahead of schedule to give a transparent, thorough and accurate grading of staff performance;

(c) Introduction across the organization, including in all country offices, of a new, 360 degree feedback system;

(d) Extension of competency assessments to include sitting as well as new resident coordinators;

(e) Initiation of a partnership survey, initially in 17 pilot countries, to provide an external and objective analysis of UNDP performance at the country level;

(f) Provision of new support and training for staff, particularly on information technology;

(g) Preparation of a new management-track leadership-in-development programme to attract young talented professionals to the organization;

(h) Undertaking of a $20 million shift of programme staff and resources from headquarters to the field through the decentralization of the Bureau for Development Policy.

Full details of progress in the implementation of the Business Plans are contained in the Administrator's Business Plans, 2000-2003: Status of implementation (DP/2001/CRP.2), submitted to the Executive Board at its current session.

Recommendation 5. The Administrator should report to the Executive Board on progress being achieved in addressing the issue of enhanced performance of UNDP within the context of the implementation of the Business Plans.

V. Regular resources

16. As noted above, meeting the regular resource targets agreed within the MYFF continues to be the critical challenge for the Executive Board and for all members of the Programme. A strong regular resource base is the means to sustain the global platform of the organization on behalf of the United Nations family and of the international community at large and is the essential resource base for the programmes of the low-income countries, to which UNDP allocates 88 per cent of its regular resources. Constraints in regular resources distort the overall funding picture, leaving certain programmes and regions with a significant lack of resources. The Administrator is unequivocal in his belief that regular contributions remain the bedrock of UNDP and that putting the regular resource base back on a path of sustainable growth to meet agreed targets remains the top priority.

17. As of the end of November 2000, using the official United Nations exchange rate of that month, the projected regular resource income for 2000 was $663 million, representing a decrease of $18 million from the income received in 1999. Such a decline comes despite significant increases in regular resource contributions in local currency terms by 11 OECD/DAC donor countries and 10 programme countries; three OECD/DAC donors made additional contributions to regular resources at or after the Ministerial Meeting. The reasons for the shortfall in projected net 2000 income include the reduction in the contribution level of a major donor; the continued strength of the US dollar, which has appreciated throughout 2000 against most currencies, including the major European currencies that constitute over two thirds of the UNDP current regular resource income base; and delayed payments of 2000 contributions on the part of a number of OECD/DAC donors.

18. Throughout 2000, UNDP experienced significant cash flow problems due to irregular payments of contributions by some donors. This situation necessitated

significant utilization of the operational reserve throughout 2000, with the sum of $48 million drawn from the reserve at the end of November. The timeliness of payment of contributions is essential to avoid liquidity constraints and is a key factor for the achievement of one of the goals of the MYFF: the greater predictability of income. During the third regular session 2000 of the Executive Board, UNDP reiterated the importance of early payments, particularly given that another liquidity shortage was anticipated for January 2001. The secretariat suggested an optimal scenario whereby donors would agree to a standard schedule for payments, such as full early payment or quarterly or twice-yearly payments, thereby enabling UNDP to take measures to reduce the effects of changes in exchange rates on the predictability of income as well as to ensure a more predictable cash flow.

19. At or after the Ministerial Meeting, six major donors pledged to raise their voluntary contributions to regular resources for the year 2001. Likewise, the commitment expressed by many programme countries to increase or adhere to financial commitments to regular resources as well as make increased contributions to the local cost of the UNDP country presence, despite internal constraints, is an important indication of their strong support. It is very much anticipated that this issue will be subject to discussion among States members of the Programme, with a view to more countries being able to follow this positive lead in confirming increased contributions to regular resources for 2001, thereby enabling UNDP to build on and harvest the financial dividend of the renewed political support to UNDP.

Recommendation 6. Governments should make every effort to increase contributions to regular resources in 2001 and beyond, with a view to leveraging the positive momentum of the Ministerial Meeting to achieve a more durable solution to the core funding problems of UNDP.

Recommendation 7. Governments should adopt a standard schedule of contributions to the regular resources of UNDP, based on one of the following: (a) early payment in full; (b) quarterly payments at the beginning of each calendar quarter; (c) twice-yearly payments at the beginning of each calendar half-year.

VI. Annual funding meeting 2001: preparatory process

20. With the reduction in the number of regular sessions of the UNDP/UNFPA Executive Board from three to two (decision 2000/17), the next annual funding meeting on UNDP and its associated funds and programmes — the United Nations Capital Development Fund (UNCDF), the United Nations Fund for Women (UNIFEM) and the United Nations Volunteers (UNV) — will be held at the annual session in June 2001. The secretariat will be writing to all States members of UNDP in early January 2001 to outline the preparatory process for the funding meeting. As with the first two annual funding meetings, held in 1999 and 2000, members of the Programme will be encouraged, in the communication, to address three of the five main elements of Executive Board decision 98/23: volume of regular resources; predictability; and measures to reduce financial dependence on a limited number of

donors. In line with Executive Board decisions 98/23 and 99/1, reaffirmed in decisions 99/23 and 2000/1, members of the Programme will be requested to communicate in writing their voluntary core contributions for each of the four funds and programmes, namely UNDP, UNCDF, UNIFEM and UNV, no later than 31 March 2001, and will be encouraged to provide multi-year pledges.

21. Specifically, members of the Programme will be requested to communicate in writing to the secretariat, no later than 31 March 2001, but preferably as early as possible in the year:

(a) A firm funding commitment for the current year (2001); for those in a position to do so, a firm contribution or indication of the contribution for the following year (2002); and a firm or tentative contribution for the third year (2003) if possible;

(b) A schedule of payments based on one of the following: (a) early payment in full; (b) quarterly payments at the beginning of each quarter; (c) twice-yearly payments at the beginning of each half-year.

22. Based on receipt of the above information, the secretariat will circulate to all members of the Programme in the first half of April, a summary presentation on:

(a) Total commitments and/or estimates for 2001 contributions to regular resources, preceded by actual income received from contributions to regular resources in the previous two years, i.e., 1999 and 2000; and indicative contributions to regular resources for the two future years — 2002 and 2003 — as a multi-year pledge if so communicated;

(b) For the OECD/DAC donors, the table will outline the 2001 contribution to regular resources committed by (or estimated for) each individual country for the current year in (a) local currency terms and (b) United States dollar equivalent according to the United Nations official exchange rate of 1 April 2001; in addition, as requested during the 1999 funding meeting and as implemented in 2000, a column will reflect per capita contributions in 2001;

(c) For programme countries, the table will outline total pledges received by 31 March 2001 for contributions to regular resources and to government contributions to local office costs (GLOC), including those communicated at the United Nations Pledging Conference for Development Activities, held in November 2000, preceded by actual income received in the previous two years i.e., 1999 and 2000; and indicative pledges for the two future years — 2002 and 2003 — as a multi-year pledge if so communicated either at the United Nations Pledging Conference for Development Activities, and/or in writing by 31 March 2001. All financial information will be split into GLOC payments and net contributions to regular resources after the application of the accounting linkage;

(d) All 2000 figures will represent provisional data.

23. An updated version of the summary presentation will be circulated as a conference room paper in advance of the annual session of the Executive Board for review in the light of progress towards achieving the key objectives of the legislation with respect to resources, outlined in decisions 98/23 and 99/1.

Recommendation 8. While the 2001 funding meeting will not be formally held until the annual session, Governments are strongly recommended to communicate officially to the secretariat, as early as possible, their contributions to regular resources for 2001 (and for 2002 and 2003) and to indicate to the secretariat as early as possible in 2001 to which of the three payment-schedule options they will adhere.

VII. Other resources

24. As many Ministers noted at the Ministerial Meeting, and as was reiterated during the third regular session 2000 and notwithstanding the continued priority placed on raising the levels of contributions to regular (core) resources, new approaches are needed to mobilize other (non-core) resources, to align them more clearly and to maximize the potential for a synergistic relationship between regular and other resources. UNDP considers that changes in the institutional context and in the wider Official Development Assistance (ODA) environment both facilitate and necessitate these new approaches. In its decisions 98/2 and 98/23 the Executive Board recognized the role of other sources of financing as a mechanism by which to enhance the capacity and supplement the means of UNDP in support of the goals and priorities set for the organization's work. In its decision 99/1, the Executive Board decided to continue consideration of the ways and means to redress resource shortfalls as and when necessary.

25. Elements for consideration in this context include:

(a) The approval of the MYFF, which represents the expression of country demands around the emerging profile of the organization: the MYFF provides the key framework for securing the policy coherence and country-demand-driven nature of UNDP support, regardless of funding source;

(b) The recognition that at present, co-financing does not bring proportionate benefit to least developed countries (LDCs) and Africa, in particular: a proactive approach is required on the part of UNDP to ensure that co-financing supports more directly the poverty focus of the organization;

(c) Changing trends in ODA, including a shift on the part of some donors to new and distinctive types of funding along thematic priorities: the emergence of such new types of funding affects UNDP, not least because Governments have indicated that funds will go elsewhere if they cannot be taken up by UNDP;

(d) The wish expressed by a number of donors to develop a more strategic partnership for non-core activities, within the framework of the MYFF: as non-core funding takes on a more strategic orientation, the dichotomy between a core relationship and a non-core one becomes increasingly overtaken for some major stakeholders by the emerging concept of an overarching partnership; and

(e) The interest of a number of donors in taking a more programmatic approach to funding.

26. In response to the elements outlined above, and in the light of comments by a number of Ministers, the Administrator proposes to strengthen the alignment of the

non-core resources within the context of the MYFF. In particular, a number of thematic trust funds are being established that will create the opportunity to provide funding at the programmatic level, in support of key themes of the MYFF. Such instruments are aimed at enabling the organization to capture and make best use of additional non-core resources for existing priorities of its programme country partners, such as governance, poverty, development after conflict and natural disasters, information technologies and issues such as HIV/AIDS. The thematic trust funds are being designed to:

(a) Respond to the country-level demand, set out in the MYFF;

(b) Link funding to goals and to substantive service lines, in support of interventions at the country, regional and global levels;

(c) Access available thematic and programmatic funding that is not easily accessible directly from the country level and not available to regular resources;

(d) Provide multiple entry points that encompass country windows as well as regional, interregional, global and advocacy activities;

(e) Enhance the capacity of UNDP to respond swiftly to opportunities and country needs within key themes, with particular emphasis on LDCs and Africa.

Each trust fund will be open to receive contributions from a variety of sources for the financing of activities and services consistent with the primary purpose of the specific theme of the trust fund, with a view to tapping funding sources distinct from those readily accessible from decentralized field operations. A non-core partnership currently exists among Governments, donors and UNDP in a number of programme countries; such relationships need to be preserved, nurtured and expanded upon at the country-level, particularly in LDCs, as the broader alignment process takes effect on both sides. The Administrator intends to revert to the Executive Board with additional recommendations in the light of experience gained and on the basis of the evaluation of non-core funding, due to be discussed by the Executive Board at its annual session 2001.

27. Recent trends have shown a significant increase in non-core contributions, which in 1999 amounted to $1.4 billion and constituted 72 per cent of total resources. In 1999, third-party co-financing, i.e., third-party cost-sharing and trust funds from sources other than programme country Governments, amounted to $549 million, bringing the total of regular resources and third-party co-financing to $1.3 billion. There is now broad-based participation in UNDP third-party co-financing by almost all countries that contribute to the regular resource base. Current realities indicate the need for discussions within the Executive Board on the appropriate presentation and relationship of regular resources to different types of other resources. In particular, the Administrator believes it is time that changing circumstances in the total resource environment be reflected in the presentation of the biennial support budget. In this regard, he intends to review options that are available and revert to the Executive Board on this issue during the second regular session in September 2001, in the context of the presentation of the 2002-2003 biennial support budget.

Recommendation 9. The Administrator should report to the Executive Board on new initiatives in the development of a non-core strategy in the light of experience gained and in the context of management's response to the non-core evaluation mandated by decision 98/2.

Recommendation 10. The Administrator should report to the Executive Board on the presentation and relationship of regular resources to different types of other resources in the context of the presentation of the 2002-2003 biennial support budget during the second regular session 2001.

VIII. Conclusion

28. It is vital that the momentum created by the success of the first UNDP Ministerial Meeting be maintained and built on as part of a dynamic process that ensures the concrete rebuilding of political and financial support for a strong role for the United Nations in development and for UNDP in particular. In this context, the Administrator has made the above recommendations with a view to helping to move forward the agenda of the Ministerial Meeting.